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**US capital markets**

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## Executive compensation

**A**fter almost everything that could be said about accounting fraud and corporate misdeeds has been said, the financial media predictably turned a spotlight on highly paid corporate executives. The glare of the spotlight and ugly headlines in part led to the SEC's adoption in 2006 of comprehensive reforms to the executive disclosure requirements for US reporting companies. These principles-based executive compensation disclosures were intended to provide investors with clarity concerning the total value of executive compensation and termination arrangements. The centrepiece of this plain English disclosure initiative was a new section called Compensation Discussion and Analysis, or CD&A, which first appeared in 2007 proxies. The CD&A section was meant to provide a normative discussion from management concerning the operation and results of its compensation process. Well-intentioned registrants and their advisers dutifully complied with the SEC's requirements for detailed disclosure. The result was 30 to 40-page CD&A sections that were anything but transparent.

The SEC Chairman expressed disappointment with verbose and obtuse CD&A discussions that flunked plain English standards. Now, in time for the next 10-K and proxy season, the SEC has issued two rounds of comment letters to public companies regarding the compensation disclosures in their 2007 proxy statements. The comments request, in many instances, that registrants provide additional information and that registrants explain how they will revise future filings in order to comply with the comments. Generally, the comments require even more detailed disclosure. The SEC staff have requested more quantitative disclosure concerning performance targets, change-in-control payments, the basis for compensation distinctions among named executives, the use of benchmarking information in determining compensation, and the activities of employee benefit consultants. As public companies and their advisers struggle to respond to many of

these information requests, especially those relating to potentially confidential milestone or performance targets, one can't help but wonder which principles are being served. Is more information necessarily more informative? Will all this additional quantitative information result in concise analytical compensation discussions that will enlighten investors and guide their investment decisions? Or, will it have the effect of obscuring the really important compensation discussion by including it in a dense presentation of marginally informative disclosure?